

**SETTLEMENT TESTIMONY OF ROBERT G. GROSS****FOR****HARBOR ISLAND UTILITIES, INC.****DOCKET NO. 2007-243-WS****IN RE: HARBOR ISLAND UTILITIES, INC.**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Robert G. Gross, and my business address is 12 Fairfield Road, Suite 1-B, Ladys Island, SC 29907.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A. I earned a Bachelor of Science degree in Chemical Engineering in 1970 from the University of South Carolina and a Master of Science in Chemical Engineering, also from the University of South Carolina, in 1971. I worked at the SC Department of Health & Environmental Control from 1972 to 1987, where I was responsible for all wastewater programs when I left the agency. I became an environmental consultant in 1987 and have continued that practice until the present. In 2000, I began an operations and maintenance program within my business. My company currently operates and maintains five water and sewer systems in the Beaufort/Jasper Counties area.

**Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a professional engineer and the president of The Beaufort Group, LLC.

1   **Q.   WHAT IS YOUR WORK EXPERIENCE OR BACKGROUND WITH**  
2       **HARBOR ISLAND UTILITIES, INC.?**

3   A.   I acquired Harbor Island Utilities in 2000 and am the company's president.

4   **Q.   WHAT ARE YOUR JOB RESPONSIBILITIES IN YOUR CURRENT**  
5       **POSITION WITH HARBOR ISLAND UTILITIES?**

6   A.   As the president of Harbor Island Utilities, among other things, I make  
7       management decisions on the financial aspects of the company; handle  
8       governmental and regulatory matters; oversee and manage plant operations;  
9       supervise customer issues; and make decisions on the operation and maintenance  
10      issues facing the company.

11   **Q.   WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN**  
12      **THIS PROCEEDING?**

13   A.   The purpose of my settlement testimony is to sponsor the Settlement Agreement  
14      in this docket regarding the company's application for adjustment of certain rates  
15      and charges for the provision of water and sewer charges. Also, I will be  
16      providing the Commission with an overview of the company and its operations,  
17      including the area in which it is authorized to provide services, an outline of the  
18      history of the company, a review of its performance from an operational  
19      standpoint, a description of the company's facilities, and some of the expenses  
20      incurred in providing water and sewer services. Finally, I will discuss the  
21      Settlement Agreement between Harbor Island Utilities and the Office of  
22      Regulatory Staff and support its adoption by the Commission. Also, my  
23      testimony will address some of the conditions facing Harbor Island Utilities.

1     **Q.     WHICH AREAS ARE CURRENTLY SERVED BY HARBOR ISLAND**  
2     **UTILITIES?**

3     A.     Harbor Island Utilities serves residential and commercial customers on Harbor  
4     Island, which is a barrier island located between St. Helena Island and Hunting  
5     Island, in Beaufort County.

6     **Q.     PLEASE DESCRIBE THE PLANT AND FACILITIES THAT COMPRISE**  
7     **THE WATER AND SEWER SYSTEMS IN THE SERVICE AREA?**

8     A.     Harbor Island Utilities purchases water at a wholesale rate from the Beaufort-  
9     Jasper Water & Sewer Authority and sells it to its customers. The water is stored  
10    in a 350,000-gallon tank, from which it is pumped through a distribution system  
11    to its customers. The company collects sewage and transports it through a series  
12    of pump stations and forcemains to a wastewater treatment plant. The wastewater  
13    undergoes tertiary treatment before being pumped about five miles to Fripp Island  
14    where the Fripp Island Public Service District completes the treatment process  
15    and disposes of it via land application on the Ocean Point Golf Course.

16    **Q.     DOES HARBOR ISLAND PROVIDE WATER AND WASTEWATER**  
17    **TREATMENT SERVICE TO ITS CUSTOMERS IN CONFORMITY**  
18    **WITH ITS PERMIT FROM THE SOUTH CAROLINA DEPARTMENT**  
19    **OF HEALTH AND ENVIRONMENTAL CONTROL (DHEC)?**

20    A.     Yes. DHEC has issued two operating permits to Harbor Island Utilities – one for  
21    the water system and one for the wastewater system. The company is committed  
22    to operating in an environmentally responsible manner.

23

1   **Q.    WHEN WAS A GENERAL RATE INCREASE LAST REQUESTED BY**  
2       **HARBOR ISLAND UTILITIES?**

3    A.    The company last filed an application for a general rate increase on September 11,  
4       2002. The Docket Number was 2002-239-W/S. By Commission Order No.  
5       2002-866, dated December 23, 2002, the Commission granted the company rate  
6       relief, and the increased rates became effective in February 2003.

7   **Q.    WHY IS HARBOR ISLAND UTILITIES REQUESTING RATE RELIEF**  
8       **AT THIS TIME?**

9    A.    For the test year ending October 31, 2006, Harbor Island Utilities experienced a  
10       per book operating loss of \$45,796. When the interest expense is factored in, that  
11       loss becomes \$77,585. Without rate relief, Harbor Island Utilities will not be able  
12       to meet its financial obligations. Such a scenario places in jeopardy the  
13       company's ability to provide safe, reliable, and efficient water and sewer services  
14       to its customers.

15   **Q.    WHAT HAS THE COMPANY'S EXPERIENCE BEEN WITH THE COSTS**  
16       **OF OPERATION SINCE ITS LAST RATE INCREASE?**

17   A.    It has been almost five years since the company's last rate increase. In that time,  
18       the company's expenses have increased across the board. The company has  
19       experienced increased operational expenses such as electricity, sludge disposal,  
20       effluent disposal, the wholesale cost of water, and maintenance and repair of  
21       equipment. In addition, the company was required by the S.C. Department of  
22       Transportation to relocate the effluent transmission line from the bridge crossing  
23       Johnson Creek when that bridge was replaced in 2005. Further, the company was

1 required to install tertiary filtration to comply with the new limitations in the  
2 permit re-issued by DHEC.

3 **Q. HAS THE COMPANY EXPERIENCED ANY CUSTOMER GROWTH**  
4 **SINCE ITS LAST RATE CASE?**

5 A. Yes. Growth has occurred at the rate of approximately ten homes per year.

6 **Q. WHAT IS A RATE INCREASE DESIGNED TO ACCOMPLISH FOR THE**  
7 **COMPANY?**

8 A. The rate increase is designed to provide sufficient revenues to recover additional  
9 investment in capital; to repair equipment as it ages; to replace equipment when it  
10 is no longer serviceable; and, to accommodate the growth as it continues on the  
11 island.

12 **Q. HAS HARBOR ISLAND ENTERED INTO A SETTLEMENT**  
13 **AGREEMENT WITH THE OFFICE OF REGULATORY STAFF?**

14 A. The Office of Regulatory Staff examined our application in this docket comparing  
15 it to the books, records, and facilities at Harbor Island Utilities. As a result of this  
16 examination, they have proposed a rate adjustment that is fair and equitable.  
17 Harbor Island Utilities has entered into a Settlement Agreement with the Office of  
18 Regulatory Staff.

19 **Q. IS THE SETTLEMENT AGREEMENT A REASONABLE MEANS OF**  
20 **RESOLVING THE ISSUES IN THIS CASE?**

21 A. Yes it is. The agreed upon rates are based on a 10.6% operating margin and allow  
22 the company to earn sufficient revenue to ensure safe and reliable service to its  
23 customers at an affordable rate. The company believes that the proposed

1 settlement rates fairly distribute the costs of providing these services to the  
2 consumer, while at the same time placing the company on a more stable financial  
3 footing. Additionally, the Office of Regulatory Staff has stipulated that this  
4 agreement serves the public interest.

5 The company is committed to operating in an environmentally responsible  
6 manner. We believe that the agreed upon rates in the comprehensive Settlement  
7 Agreement are reasonable, fair, responsible, non-discriminatory, and justified  
8 when considered as part of the Settlement Agreement in its entirety and in light of  
9 the customers' needs, the company's requirements to meet customers' needs, and  
10 the company's commitment to do so in compliance with the regulations of this  
11 Commission, DHEC, and other regulatory agencies having jurisdiction over the  
12 company.

13 **Q. AT THE NIGHT HEARING ON OCTOBER 10, THE COMMISSION**  
14 **HEARD COMMENTS ABOUT THE CONDITION OF FIRE HYDRANTS**  
15 **ON HARBOR ISLAND. HAS THE COMPANY RESOLVED THESE**  
16 **ISSUES?**

17 A. Yes, to the extent these issues could be resolved by and were the responsibility of  
18 the utility, they have been resolved.

19 **Q. DO YOU HAVE ANYTHING ELSE YOU WOULD LIKE TO ADD?**

20 A. Yes. Harbor Island Utilities, its legal counsel, and technical consultant appreciate  
21 the professionalism and thoroughness of the Office of Regulatory Staff.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.

**THE OFFICE OF REGULATORY STAFF  
SETTLEMENT TESTIMONY AND EXHIBITS  
OF  
WILLIE J. MORGAN**



EXHIBIT C

**DOCKET NO. 2007-243-WS**

**Application of Harbor Island Utilities,  
Incorporated for Approval of a New Schedule of  
Rates and Charges for Water and Sewer Service  
Provided to Residential and Commercial  
Customers in Harbor Island, Beaufort County,  
South Carolina**

**SETTLEMENT TESTIMONY OF WILLIE J. MORGAN**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2007-243-WS**

**IN RE: HARBOR ISLAND UTILITIES, INC.**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

A. My name is Willie J. Morgan, and my business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the state of South Carolina, Office of Regulatory Staff ("ORS") as the Program Manager for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Engineering from the University of South Carolina in 1985 and a Master of Arts Degree in Management from Webster University in 2000. I am a licensed Professional Engineer registered in the State of South Carolina. My professional affiliations include membership in the American Water Works Association ("AWWA"), the South Carolina Section of the American Water Works Association ("SC-AWWA") and the National Society of Professional Engineers ("NSPE"). After graduating from the University of South Carolina, I was employed by the South Carolina Department

1 of Health and Environmental Control ("DHEC") as an Environmental Engineer  
2 Associate. Later, I was promoted to the position of Permitting Liaison where I  
3 assisted industries and the public with environmental permitting requirements in  
4 the state of South Carolina. This assistance included providing information about  
5 air quality, solid and hazardous waste management, and water and wastewater  
6 management requirements. I was employed by DHEC for nineteen years. On  
7 October 2, 2004, I joined the ORS as the Program Manager for the Water and  
8 Wastewater Department.

9 **Q. DO YOU HAVE ANY PUBLICATIONS TO YOUR CREDIT?**

10 A. Yes.

11 **Q. WHAT ARE THE NAMES OF SOME OF THOSE PUBLICATIONS?**

12 A. While at DHEC, I published several editions of a document called "A General  
13 Guide to Environmental Permitting in South Carolina." This guide is a summary  
14 of the various environmental requirements that affect businesses and industries  
15 located or operating within the State of South Carolina. Another publication I  
16 authored includes a document called "Environmental Protection Fees." This  
17 document is a summary of the fees charged for environmental programs. It  
18 includes detailed information about the fees collected by water utilities to  
19 implement the Safe Drinking Water Act Regulatory Program, fees collected from  
20 wastewater utilities to manage the National Pollution Discharge Elimination  
21 System ("NPDES") Program, and fees collected for construction activities  
22 associated with water and wastewater utilities.

1 In March, 2007, I authored and presented a paper at the annual South Carolina  
2 Environmental Conference called "Rate Setting for Private and Investor Owned  
3 Public Utilities." The purpose of the paper and presentation was to discuss the  
4 distinct roles of the Public Service Commission of South Carolina  
5 ("Commission") and ORS concerning rate adjustments for private or investor  
6 owned utilities in South Carolina.

7 **Q. CAN YOU DESCRIBE YOUR RESPONSIBILITIES AS THE PROGRAM**  
8 **MANAGER FOR WATER AND WASTEWATER WITH THE OFFICE OF**  
9 **REGULATORY STAFF?**

10 A. Yes. My responsibilities include performing analyses and providing testimony in  
11 formal proceedings before the Commission regarding rate base determinations,  
12 rate schedules, general terms and conditions, cost of service and depreciation  
13 studies, and compliance with applicable rules and regulations. In addition, my  
14 responsibilities include monitoring federal activity to determine its impact on state  
15 regulations and policies.

16 **Q. HAVE YOU COMPLETED ADDITIONAL TRAINING AND/OR**  
17 **EDUCATION SINCE YOUR GRADUATION FROM THE UNIVERSITY**  
18 **OF SOUTH CAROLINA?**

19 A. I have completed courses in preparation for the professional engineering  
20 examination as well as various review and continuing professional education  
21 courses. The continuing professional education courses include attendance at the  
22 2004 Eastern National Association of Regulatory Utility Commissioners  
23 ("NARUC") Utility Rate School: Basics of Ratesetting, the 2006 SC-AWWA

1 Annual Meeting, 2006 Regulating Small Water Utilities Workshop, 2007 CAMP  
2 NARUC, and other water and wastewater facility specific courses.

3 **Q. HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**  
4 **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**  
5 **FACILITIES?**

6 A. I have over twenty-one years of regulatory compliance experience providing  
7 assistance and regulatory oversight for water and wastewater facilities and  
8 services.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
10 **PROCEEDING?**

11 A. The purpose of my testimony is to provide a brief overview of the Settlement  
12 Agreement reached between ORS and Harbor Island Utilities, Inc. ("Harbor  
13 Island") in this proceeding and to explain why this Settlement Agreement is in the  
14 public interest. Specifically, I will focus on Harbor Island's compliance with the  
15 Public Service Commission ("Commission") rules and regulations, ORS's  
16 Business Audit of Harbor Island's water and wastewater systems, test-year  
17 revenue and calculated proposed revenue, and performance bond requirements.

18 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
19 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

20 A. Yes, my testimony and the attached exhibits detail ORS's findings and  
21 recommendations.

22 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
23 **TESTIMONY AND EXHIBITS.**

1 A. I used ORS Business Audit results, information provided by Harbor Island in its  
2 application and additional information provided by Harbor Island during the  
3 course of our investigation. I also reviewed Harbor Island's financial statements  
4 and performance bond documents submitted to the Commission.

5 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**  
6 **TYPES AND CUSTOMER BASE SERVED BY HARBOR ISLAND.**

7 A. Harbor Island is a public utility providing water distribution services and  
8 wastewater collection/treatment services. Harbor Island is a NARUC Class B  
9 water utility and a NARUC Class C wastewater utility according to water and  
10 sewer revenues reported on its application for the test year ending October 31,  
11 2006. Harbor Island's service area includes a portion of Beaufort County.  
12 According to Harbor Island's application for the test year ending October 31,  
13 2006, water distribution services were provided to 439 residential and commercial  
14 customers, and wastewater collection and treatment services were provided to 419  
15 residential and 6 commercial customers. All of Harbor Island's customers are on  
16 Harbor Island in Beaufort County.

17 **Q. PLEASE EXPLAIN EXHIBIT WJM-1 OF YOUR REPORT.**

18 A. Exhibit WJM-1, consisting of three pages, provides a summary of the Business  
19 Office Compliance Review completed by ORS. During the Business Office  
20 Compliance Review, ORS reviewed Harbor Island's office records to determine  
21 compliance with Commission rules and regulations.

22 As expected of a Class B water utility, Harbor Island utilizes a customized  
23 computer database to capture all customer account transactions. Harbor Island's

1 customer bills, disconnect notices, payment plans and deposit receipts contain all  
2 required information and are issued to customers in a timely manner. Harbor  
3 Island has met the Annual Report and Gross Receipts requirements as well.

4 **Q. PLEASE EXPLAIN EXHIBIT WJM-2 OF YOUR REPORT.**

5 A. Exhibit WJM-2, consisting of two pages, is a summary of the water distribution  
6 system and wastewater collection and treatment systems inspected by ORS on  
7 August 22, 2007.

8 **Water Distribution**

9 Harbor Island currently provides adequate water distribution services to its  
10 residential and commercial customers. Water is provided to customers by Harbor  
11 Island from an outside bulk water provider, Beaufort-Jasper Water & Sewer  
12 Authority (BJWSA) via Fripp Island Public Service District (FIPSD). Required  
13 operator logs were being kept at the facility and were audited by ORS. As  
14 required by the Commission regulations, general housekeeping items including  
15 system entry points, access roads and signage were found to be satisfactory during  
16 the audit. Potable water and irrigation consumption are metered to all customers.  
17 Safe drinking water quality standards are being met according to the recent DHEC  
18 sanitary survey report. When problems are identified, Harbor Island appears to be  
19 addressing the issues in a timely manner.

20 **Wastewater Collection and Treatment Systems**

21 Harbor Island provides wastewater treatment on the island with additional  
22 treatment provided by the FIPSD on Fripp Island in Beaufort County. The final  
23 wastewater effluent is discharged to a golf course on Fripp Island under a “no

1 discharge permit.” During the ORS inspection, all the wastewater collection and  
2 treatment systems were operating adequately and in accordance with DHEC rules  
3 and regulations. No major construction activity is being proposed by Harbor  
4 Island for its wastewater collection and treatment systems and no immediate need  
5 exists for any major upgrade to the current system. However, the utility will need  
6 to make some minor routine repairs to some areas at its treatment plant (i.e.,  
7 repair walking grate at top of treatment unit, repair bar screen, etc.).

8 **Q. EXPLAIN THE TEST YEAR REVENUE INFORMATION COMPUTED**  
9 **BY ORS FOR HARBOR ISLAND.**

10 A. Exhibit WJM-3 summarizes Harbor Island’s service revenues for the test year  
11 ending October 31, 2006. ORS used consumption data provided by Harbor Island  
12 and verified during the audit. In addition, ORS used Harbor Island’s current and  
13 proposed Settlement rates for all calculations. In summary, ORS calculated  
14 Harbor Island’s test year service revenue for water operations, after accounting  
15 and pro forma adjustments, of \$207,699. ORS calculated Harbor Island’s test  
16 year service revenue for wastewater operations, after accounting and pro forma  
17 adjustments, of \$137,720. ORS calculated test year revenues for combined  
18 operations, as adjusted, of \$345,419. For comparison purposes, ORS calculated  
19 the proposed Settlement water service revenues of \$231,407. ORS calculated the  
20 proposed Settlement wastewater service revenues of \$185,296. At the proposed  
21 Settlement rates, combined operations revenue would total \$416,703. As shown  
22 in Exhibit WJM-4, the projected growth for Harbor Island is approximately  
23 1.39% per year.

1   **Q.   PLEASE EXPLAIN EXHIBIT WJM-5 OF YOUR REPORT.**

2   A.   Exhibit WJM-5 is a summary of the current PSC approved rates for Harbor  
3       Island, rates proposed in the application, and the Settlement Agreement proposed  
4       rates for Harbor Island.

5   **Q.   PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**  
6       **HARBOR ISLAND.**

7   A.   The purpose of a utility's performance bond is to provide sufficient financial  
8       assurance to both the customer and the Commission in the event that the utility  
9       fails to provide safe and adequate service. Pursuant to 26 S.C. Code Ann. Regs.  
10      103-512.3.1, "the amount of bond shall be based on, but not limited to, the total  
11      amount of the following categories of expenses for twelve months: Operation and  
12      Maintenance Expenses, General and Administrative Expenses, Taxes Other Than  
13      Income Taxes, Income Taxes, and Debt Service including Interest Expenses." The  
14      bond amount is also set forth in S.C. Code Ann. Section 58-5-720 (Supp. 2006).  
15      The Commission's regulations state that the bond amounts must range from an  
16      amount not less than \$100,000 and not more than \$350,000.

17      Harbor Island has a current performance bond filed with the Commission for  
18      water and sewer operations which use a Personal Financial Statement as surety in  
19      the amount of \$100,000 for water and \$100,000 for sewer. Based on the expenses  
20      from the test year and using the criteria set forth in 26 S.C. Code Ann. Regs. 103-  
21      512.3.1 and 103-712.3.1, ORS determined that the face amount of Harbor Island's  
22      bond should be \$215,000 for water operations and \$145,000 for wastewater  
23      operations (Exhibit WJM-6). Harbor Island's adjusted bonding criteria expenses

1 for the test year were \$215,694 for water operations and \$143,022 for wastewater  
2 operations. Combined bonding criteria expenses, as adjusted totaled \$358,716 for  
3 the test year ending October 31, 2006. To protect the ratepayers in the event the  
4 utility becomes non-viable, Harbor Island, pursuant to the Settlement Agreement,  
5 has agreed to file with the Public Service Commission a performance bond for  
6 water and wastewater operations in the amount \$215,000 and \$145,000  
7 respectively as set forth in S.C. Code Ann. Section 58-5-720 (Supp. 2006).

8 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**  
9 **RECOMMENDATIONS?**

10 A. ORS recommendations are based on the conclusions outlined in the Florida Public  
11 Service Commission Water and Wastewater System Regulatory Law as  
12 recommended by the NARUC staff. ORS's approach and conclusions made  
13 concerning depreciation are consistent with the Public Utility Depreciation  
14 Practices manual as published by NARUC in 1996. Some adjustments were made  
15 because of the specific conditions associated with the site and its location. This  
16 included the advanced corrosion that was taking place on some of the metal parts  
17 of the wastewater treatment plant and the water supply pumping system.

18 **Q. DOES ORS SUPPORT HARBOR ISLAND'S PROPOSED**  
19 **MODIFICATION TO ITS TARIFF LANGUAGE REGARDING TERMS**  
20 **AND CONDITIONS RELATED TO ADMINISTRATIVE AND LEGAL**  
21 **FEES FOR DELINQUENT ACCOUNTS?**

22 A. ORS supports Harbor Island's proposed modification of terms and conditions  
23 listed in its proposed tariff for the authority to recover administrative and legal

1 fees from delinquent accounts. However, as agreed to in the proposed Settlement,  
2 Harbor Island shall limit the collectible amount from delinquent customers to  
3 following:

4 Returned Check Charge (NSF) – All returned check accounts shall be  
5 assessed the NSF fee allowed by S.C. Code Ann. Section 34-11-70(a)(3)  
6 (Supp. 2006).

7 Delinquent Notification Fee - A \$10 fee shall apply when Harbor Island  
8 mails a notice of discontinuance of service pursuant to 26 S.C. Code Ann.  
9 Regs.103-535, 103-535.1, 103-735, and/or 103-735.1.

10 As presented in the proposed Settlement, Harbor Island has agreed to remove the  
11 “At Cost” reference as presented in the proposed tariff and has agreed that  
12 charges for delinquent customers will be limited to the above referenced amounts  
13 and conditions.

14 **Q. DOES ORS SUPPORT HARBOR ISLAND’S PROPOSED**  
15 **MODIFICATION TO ITS TARIFF LANGUAGE REGARDING**  
16 **PURCHASED WATER ADJUSTMENT AND EFFLUENT**  
17 **STORAGE/DISPOSAL ADJUSTMENT?**

18 **A.** Yes. Harbor Island purchases its potable water from BJWSA. The water is  
19 transported through a pipe owned by FIPSD. Whenever there is a price  
20 adjustment for the purchase or transportation of potable water to Harbor Island by  
21 BJWSA or FIPSD, Harbor Island has proposed to increase the unit price to its  
22 customers as a pass-through cost by adjusting the consumption charge on their  
23 water bills.

1 Harbor Island pumps its treated effluent to FIPSD for final disposition. FIPSD  
2 charges Harbor Island an effluent storage fee based on its actual costs. Whenever  
3 there is a price increase by FIPSD, Harbor Island has proposed to increase the  
4 consumption charge on the customer's bill by 9 cents for each 1 cent per 1,000  
5 gallon increase by FIPSD.

6 All water and sewer rate adjustments to the customers of Harbor Island for water  
7 supply and effluent disposal will be properly noticed. Harbor Island has proposed  
8 to provide advance notice to the Commission and the customers affected by the  
9 adjustment. Therefore, ORS believes this method for managing the cost of  
10 providing good quality service protects the integrity of the utility and is in the best  
11 interest of the consumer.

12 **Q. WHAT CONCERNS DO YOU HAVE REGARDING ANY**  
13 **UNACCOUNTED FOR WATER BY HARBOR ISLAND?**

14 A. Utilities can no longer afford to ignore inefficiencies in their water distribution  
15 systems. Increases in pumping, treatment and operational costs make water losses  
16 and unaccounted for water cost prohibitive. Unaccounted for water on Harbor  
17 Island's system is ultimately passed on to the customers in the form of higher  
18 rates. The BJWSA and FIPSD charges to the utility are based on the cost of all  
19 water provided to Harbor Island through the master meter. This cost is shared  
20 with the customers. According to the Environmental Protection Agency (EPA),  
21 an 8% allowance for unaccounted for water is acceptable; but unaccounted for  
22 water of more than 12% requires priority attention and corrective action. The 8%  
23 allowance is consistent with Commission Order No. 91-231 on page 15 in Docket

No. 90-124-W/S and Order No. 2000-0354 on page 4 in Docket No. 1999-344-W/S which allowed approximately 7.5% as a “reasonable percentage for lost water.” For the test year, Harbor Island provided ORS with information stating that it purchased (master meter) 40,346,000 gallons of water and sold (metered) 33,484,000 gallons of water to its customers. The difference is 6,862,000 gallons, which represents an unaccounted for water rate of approximately 17%. Unaccounted for water is the difference between water supplied (metered at the master meter) and metered use (i.e., sales plus non-revenue producing metered water).

$$\text{Unaccounted for water (\%)} = \frac{(\text{Supplied} - \text{metered use}) \times 100\%}{(\text{Supplied})}$$

**Q. HOW CAN HARBOR ISLAND RESOLVE ITS UNACCOUNTED FOR WATER PROBLEM?**

A. In an effort to eliminate or lower its unaccounted for water statistics, Harbor Island should conduct a water audit. According to the American Water Works Association (AWWA) Manual of Water Supply Practices, Water Audits and Leak Detection, 2<sup>nd</sup> Ed., page 2, “Water audits should be performed annually to help managers adjust priorities, monitor progress, identify new areas of system losses, and establish new maintenance goals.” A water audit can identify how much water is lost and what that loss is costing the utility and its customers. Records and system control equipment (such as meters) should be checked for accuracy. The overall goal of the audit is to assist Harbor Island in the selection and implementation of programs to reduce distribution system losses and thus help to avoid higher rates for the customers. As presented in the proposed Settlement,

1 Harbor Island has agreed to submit a water audit report addressing unaccounted  
2 for water issues as requested pursuant to Commission Order No. 2002-866 in  
3 Docket No. 2002-239-WS.

4 **Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT**  
5 **AGREEMENT REACHED BY THE PARTIES OF RECORD.**

6 A. Following extensive discussions, the parties have each determined that their  
7 interests, as well as the interest of the public would be best served by settling all  
8 pending issues in this proceeding.

9 It is the position of ORS that the Settlement Agreement, as presented to this  
10 Commission, is a fair, reasonable and full resolution to all issues in this  
11 proceeding. Further, the Settlement Agreement represents the public interest as it  
12 preserves the balance referred to in S.C. Code Ann. Section 58-4-10:

13 ... 'public interest' means a balancing of the following:

- 14
- 15 (1) Concerns of the using and consuming public with  
16 respect to public utility services, regardless of the  
17 class of customer;
- 18
- 19 (2) Economic development and job attraction and  
20 retention in South Carolina; and
- 21
- 22 (3) Preservation of the financial integrity of the State's public utilities  
23 and continued investment in and maintenance of utility facilities so  
24 as to provide reliable and high quality utility services.  
25

26 All parties agree that an increase in rates and charges is necessary for Harbor  
27 Island to provide its residential and commercial customers with safe and adequate  
28 water and wastewater services. ORS determined Harbor Island is currently  
29 operating under rates that do not allow it to earn a fair operating margin. The

1 Settlement Agreement provides a schedule of proposed rates, terms and  
2 conditions that are fair and reasonable to both the customer and Harbor Island and  
3 will allow Harbor Island the opportunity to earn a fair operating margin.  
4 Specifically, Harbor Island has agreed to reduce its rates from those proposed in  
5 the revised application for both residential and commercial water and sewer  
6 charges. ORS and Harbor Island recommend in the Settlement Agreement an  
7 operating margin of 10.6% which will provide a prudent balance between the  
8 consumer's need for affordable, quality services and Harbor Island's financial  
9 health.

10 As stated earlier, it is the position of ORS and Harbor Island that this Settlement  
11 Agreement is fair and reasonable and represents full resolution of all issues in this  
12 proceeding and I would request the Commission approve the Settlement  
13 Agreement as presented today.

14 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes it does.

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2007-243-WS**

**Application of Harbor Island Utilities, Incorporated for Approval of a New Schedule of Rates and Charges for Water and Sewer Service Provided to Residential and Commercial Customers in Harbor Island, Beaufort County**

**WILLIE J. MORGAN SETTLEMENT TESTIMONY**

**EXHIBIT INDEX**

<b><u>EXHIBIT NO.</u></b>	<b><u>EXHIBIT TYPE</u></b>	<b><u>PREPARED BY</u></b>
WJM-1	ORS Business Office Compliance Review	ORS
WJM-2	ORS Water/Wastewater System Inspection Report	ORS
WJM-3	Service Revenue Impact	ORS
WJM-4	Customer Growth Analysis	ORS
WJM-5	Harbor Island Current Rates, Rate Proposed in Application, and Proposed Settlement Rates	ORS
WJM-6	Performance Bond Requirement	ORS

**REVIEW OF WATER AND WASTEWATER SERVICES  
HARBOR ISLAND UTILITIES, INC.  
DOCKET: 2006-243-WS**

The Office of Regulatory Staff (“ORS”) of South Carolina performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of Harbor Island Utilities, Inc. (“Harbor Island”) in preparation for this rate case. Harbor Island currently provides water distribution, wastewater collection, and wastewater treatment services to commercial and residential customers in Harbor Island’s service area. This includes a portion of Beaufort County. As of June 30, 2007, Harbor Island was providing water services to 446 units along with 36 fire hydrants and wastewater services to 429 units.

The ORS Consumer Services Department received no consumer complaints regarding Harbor Island during the test year. Since the Notice of Filing was mailed to Harbor Island’s customers, the Public Service Commission has received no Petitions to Intervene. However, a request was made asking the Commission to hold a night hearing on this matter on Harbor Island.

ORS determined Harbor Island provides adequate water distribution service and wastewater collection/treatment service. During Harbor Island’s latest sanitary survey, DHEC rated the system as “Needs Improvement.” The overall rating for its wastewater treatment plant facility evaluation inspection was rated by DHEC as “Marginal.”

The following 2 pages provide a summary of the ORS Business Compliance Audit results.



### ORS BUSINESS OFFICE COMPLIANCE REVIEW: Water/Sewer Company

Utility: Harbor Island Utilities, Inc.  
 Inspector(s): Willie Morgan / Elizabeth Ford / Tina Seale  
 Office: 12 Fairfield Road, Suite 1-B, Ladys Island, SC  
 Utility Type: **Water and Sewer**  
 Date: August 22, 2007  
 Company Representative(s): Mr. Bob Gross & Ms. Claudia McKeown

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.		X	Some complaints were not being recorded in utility records. However, the utility appears to be properly responding to complaints. The utility stated that it would begin to record all complaints & resolution.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		Copy of new regulations was provided to utility.
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		Utility will add reference on cutoff notice about the PSC.
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		Customer bills are issued immediately following the reading of their meter.
7	Bill forms in accordance with R.103-532 and R.103-732.	X		
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.	X		

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	X		
15	Utility verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the utility has at present time.			461 water taps 435 sewer taps
17	Utility has a current performance bond on file with the Commission. Amount of bond:	X		\$100k for water service \$100k for sewer service
18	Utility maintains a documented Safety Program.	X		The utility does not have a separate written safety plan. Safety program is incorporated in other plans.
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



## ORS WATER SYSTEM INSPECTION REPORT

### Inspection Overview

Date Inspected: August 22, 2007  
 Inspector Name: Willie Morgan / Elizabeth Ford  
 Docket Number: 2007-243-WS  
 Utility Name: Harbor Island Utilities, Inc.  
 Utility Representative: Bob Gross  
 Number of Customers: 461 (443 residential, 8 commercial, 9 irrigation, 1 wwtf)  
 System Type (distribution, well, etc): Storage & Distribution  
 Location of System: Harbor Island, SC  
 Location of Utility Office: 12 Fairfield Road, Suite 1-B, Ladys Island, SC  
 Treatment Type: None  
 Permit #: 0750013  
 Last SC DHEC Compliance Rating: November 29, 2006 - Needs Improvement  
 Frequency checked by Licensed Operator: Daily  
 Wastewater Provider: Harbor Island Utilities, Inc.

### Inspection Overview

	System Components Inspected	Specific Type	#	P S I	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites		0					
2	Pump Houses		0					1 service pump, 2 fire pumps
3	Storage Tank	Pressurized	0					
3a	Storage Tank	Non-Pressurized	1		350k			ground level
3b	Storage Tank	Overhead	0					
4	Chlorinator		0					N/A
5	Other Chemicals in use		0					N/A
6	Meters		461			X		
7	Fire Hydrants		36			X		
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		
11	Water free of sand					X		
12	Water clarity					X		
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		Capacity exists for new customers to be added w/in existing service area

### Additional Comments:



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview

Date Inspected:	August 22, 2007
Inspector Name:	Willie Morgan / Elizabeth Ford
Docket Number:	2007-243-WS
Utility Name:	Harbor Island Utilities, Inc.
Utility Representative:	Bob Gross
Number of Customers:	435
System Type (collection, force main, lagoon, etc):	Collection, force main, treatment in tanks
Location of System:	Harbor Island, SC
Location of Utility Office:	12 Fairfield Road, Suite 1-B, Ladys Island, SC
Treatment Type:	Tertiary Treatment
Permit #:	ND0065919
Last SC DHEC Compliance Rating:	February 20, 2007 - Marginal
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Harbor Island Utilities, Inc.

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		
2	Other chemicals in use		X	
3	Aerators present		X	2 blowers
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition			N/A - system is an above ground treatment system
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		Discharge to holding pond at Fripp Island
14	Lift Stations present	X		8 lift stations
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand		X	Capacity exists for new customers to be added w/in existing service area

### Additional Comments:

Effluent discharged to golf course on Fripp Island. No Discharge permit. Capacity of system is \$250k gallons per day.

**HARBOR ISLAND UTILITIES, INC.**  
**2007-243-WS**  
**SERVICE REVENUE IMPACT**  
**FOR THE TEST YEAR ENDING OCTOBER 31, 2006**

SETTLEMENT EXHIBIT WJM-3

**Calculated Test Year Revenues at Current Rates**

Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues (1)
3/4" Res Water	27,364,213	\$3.60	5,123	\$16.12	181,094
Irrigation	1,425,470	\$3.60	N/A	N/A	5,132
3/4" Irrigation	N/A	N/A	48	\$16.12	774
1" Irrigation	N/A	N/A	36	\$18.00	648
1 1/2" Irrigation	N/A	N/A	24	\$24.00	576
Commercial Water	4,043,700	\$3.60	N/A	N/A	14,557
WWTP Consumpt.	362,640	\$3.60	N/A	N/A	1,306
Hydrant Consumpt.	287,977	\$3.60	N/A	N/A	1,037
3/4" Comm Water	N/A	N/A	60	\$21.75	1,305
1" Comm Water	N/A	N/A	24	\$24.26	582
1 1/2" Comm Water	N/A	N/A	4	\$32.00	128
WWTP	N/A	N/A	12	\$21.75	261
Hydrant Use	N/A	N/A	6	\$50.00	300
<b>Water Service Total</b>	<b>33,484,000</b>		<b>5,337</b>		<b>207,699</b>
Residential Sewer	0.00	\$0.00	4,944	\$27.50	135,960
Commercial Sewer	0.00	\$0.00	64	\$27.50	1,760
<b>Sewer Service Total</b>			<b>5,008</b>		<b>137,720</b>
<b>Combined Operations<sup>3</sup></b>	<b>33,484,000</b>		<b>10,345</b>		<b>345,419</b>

**Calculated Revenues at Proposed Settlement Rates**

Customer Classification	Consumption in Gallons	Proposed Usage Charge per 1,000 gallons	Service Units	Proposed Base Facility Charge (BFC)	Proposed Calculated Revenues (1)	Increase Amount	% Increase
3/4" Res Water	27,364,213	\$4.12	5,123	\$17.24	201,061	\$19,967	11.03%
Irrigation	1,425,470	\$4.12	N/A	N/A	5,873	\$741	14.44%
3/4" Irrigation	N/A	N/A	48	\$17.24	828	\$54	7.01%
1" Irrigation	N/A	N/A	36	\$21.00	756	\$108	16.67%
1 1/2" Irrigation	N/A	N/A	24	\$26.50	636	\$60	10.42%
Commercial Water	4,043,700	\$4.12	N/A	N/A	16,660	\$2,103	14.44%
WWTP Consumpt.	362,640	\$4.12	N/A	N/A	1,494	\$189	14.44%
Hydrant Consumpt.	287,977	\$4.17	N/A	N/A	1,201	\$164	15.83%
3/4" Comm Water	N/A	N/A	60	\$24.00	1,440	\$135	10.34%
1" Comm Water	N/A	N/A	24	\$27.00	648	\$66	11.31%
1 1/2" Comm Water	N/A	N/A	4	\$33.00	132	\$4	3.13%
WWTP	N/A	N/A	12	\$24.00	288	\$27	10.34%
Hydrant Use	N/A	N/A	6	\$65.00	390	\$90	30.00%
<b>Water Service Total</b>	<b>33,484,000</b>		<b>5,337</b>		<b>231,407</b>	<b>\$23,708</b>	<b>11.41%</b>
Residential Sewer	0.00	\$0.00	4,944	\$37.00	\$182,928	\$46,968	34.55%
Commercial Sewer	0.00	\$0.00	64	\$37.00	\$2,368	\$608	34.55%
<b>Sewer Service Total</b>			<b>5,008</b>		<b>\$185,296</b>	<b>\$47,576</b>	<b>34.55%</b>
<b>Combined Operations<sup>2</sup></b>	<b>33,484,000</b>		<b>10,345</b>		<b>416,703</b>	<b>\$71,284</b>	<b>20.64%</b>

Calculation Methodology:

- (1) Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.
- (2) Customer Late Charges, Tap Fees, Reconnection Fees, Set-up Fees, Deposits and Interest on Deposits are not included in any of the above computations.
- (3) *ORS adjustments to test year and proposed revenue were less than \$2500.00.*

HARBOR ISLAND UTILITIES, INC.  
2007-243-WS  
CUSTOMER GROWTH INFORMATION

SETTLEMENT EXHIBIT WJM-4

	November 1, 2005	October 30, 2006	June 30, 2007	Average	Growth Factor
Commercial Sewer	5	6	6	5.5	0.090909
Residential Sewer	404	419	423	411.5	0.018226
3/4" Commercial Water	5	5	5	5	0
1" Commercial Water	2	2	2	2	0
1 1/2" Commercial Water	0	1	1	0.5	1
WWTP	1	1	1	1	0
Residential Water	423	430	431	426.5	0.008206
3/4" Irrigation	4	4	4	4	0
1" Irrigation	3	3	1	3	0
1 1/2" Irrigation	2	2	1	2	0
Hydrant Rental	0	0	0	0	0
<b>TOTAL ACTIVE UNITS</b>	<b>849</b>	<b>873</b>	<b>875</b>	<b>861</b>	<b>0.013937</b>

**Harbor Island Utilities, Inc.  
2007-243-WS  
Rates Overview**

**SETTLEMENT EXHIBIT WJM-5**

**Current**

**Proposed Rates In Application**

**Proposed Settlement Rates**

**USER FEES - WATER**

**Residential**

3/4" meter	Base	\$16.12 /month	\$19.00 /month	\$17.24 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1" meter	Base	\$18.00 /month	\$21.00 /month	\$21.00 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1 1/2" meter	Base	\$24.00 /month	\$26.50 /month	\$26.50 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.

**Commercial Water**

**Service**

3/4" meter	Base	\$21.75 /month	\$24.00 /month	\$24.00 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1" meter	Base	\$24.26 /month	\$27.01 /month	\$27.00 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1 1/2" meter	Base	\$32.00 /month	\$33.00 /month	\$33.00 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.

**Landscape Irrigation**

3/4" meter	Base	\$16.12 /month	\$19.00 /month	\$17.24 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1" meter	Base	\$18.00 /month	\$21.00 /month	\$21.00 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.
1 1/2" meter	Base	\$24.00 /month	\$26.50 /month	\$26.50 /month
	Commodity	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.

**Meters Used for Multiple**

**Residential Units**

Minimum monthly charge	\$16.12 /unit	\$19.00 /unit	\$17.24 /unit
Commodity charge	\$3.60 /1,000 gals.	\$4.12 /1,000 gals.	\$4.12 /1,000 gals.

**FIRE HYDRANT USAGE**

Installation Charge	\$50.00	\$65.00	\$65.00
Advance Payment	\$50.00	\$75.00	\$75.00
Cost per 1,000 gallons	\$3.60	\$4.25	\$4.17

**Harbor Island Utilities, Inc.  
2007-243-WS  
Rates Overview**

**SETTLEMENT EXHIBIT WJM-5**

	<u>Current</u>	<u>Proposed Rates In Application</u>	<u>Proposed Settlement Rates</u>
<b><u>RECONNECTION FEES</u></b>			
Disconnection/Reconnect at Customer's Request	\$50.00 *	\$50.00 *	\$50.00 *
Disconnection/Reconnect due to Nonpayment	\$50.00 *	\$50.00 *	\$50.00 *
<b><u>TAP FEES</u></b>			
<u>Single Units</u>			
3/4" meter	\$687.00	\$1,200.00	\$1,200.00
1" meter	\$1,037.00	\$1,600.00	\$1,600.00
1 1/2" meter	\$1,187.00	\$1,800.00	\$1,800.00
2" meter	\$2,187.00	\$2,700.00	\$2,700.00
<u>Master Meter for Multiple Units</u>			
1" - 2" (plus cost meter installation for proposed rate)	\$687.00 /unit	\$1,200.00 /unit	\$1,200.00 /unit
Greater than 2" (plus cost of meter installation)	\$500.00 /unit	\$600.00 /unit	\$600.00 /unit
<b><u>ADVANCE PAYMENT</u></b>			
For Water Used During Construction (paid with tap fees)	\$100.00 *	\$100.00 *	\$100.00 *
<b><u>USER FEES - SEWER</u></b>			
Residential	\$27.50	\$39.00	\$37.00
Commercial	\$27.50 min. for 10,500 gals. \$1.50 per 1,000 gal excess usage (Sewerage flow is determined by using SCDHEC wastewater unit load allocation)	\$39.00 min. for 10,500 gals. \$1.50 per 1,000 gal excess usage (Sewerage flow is determined by using SCDHEC wastewater unit load allocation)	\$37.00 min. for 10,500 gals. \$1.50 per 1,000 gal excess usage (Sewerage flow is determined by using SCDHEC wastewater unit load allocation)
<b><u>TAP FEES - SEWER</u></b>			
Residential	\$500.00 *	\$500.00 *	\$500.00 *
Trailer Park	\$250.00 /pad*	\$250.00 /pad*	\$250.00 /pad*
Commercial: Water supplied through 1" - 1 1/2" meter	\$850.00 *	\$850.00 *	\$850.00 *

**Harbor Island Utilities, Inc.**  
**2007-243-WS**  
**Rates Overview**

**SETTLEMENT EXHIBIT WJM-5**

	<u><b>Current</b></u>	<u><b>Proposed Rates In Application</b></u>	<u><b>Proposed Settlement Rates</b></u>
Administrative set-up fee for new customers	\$0.00	\$25.00	\$25.00
Pass through rate increase from Beaufort-Jasper Water and Sewer Authority (BJWSA) and Fripp Island Public Service District (FIPSD) after a 60-day notice to PSCSC and 30-day notice to customers	\$0.00	At Cost	At Cost
Authority to recover administrative and legal fees from delinquent accounts	\$0.00	At Cost	\$10.00

\* No change to previously approved rates

**HARBOR ISLAND UTILITIES, INC.**  
**2007-243-WS**  
**Performance Bond Requirement**

**SETTLEMENT EXHIBIT WJM-6**

<b>Harbor Island Utilities, Inc. - Water</b>			
<b>Bond Value Components</b>	<b>Per Revised Application</b>	<b>After Proposed Accounting &amp; Pro forma Adjustments Per Settlement</b>	<b>After Proposed Increase Per Settlement</b>
Administration	\$35,266	\$32,840	\$30,329
Water & Sewer Operation and Maintenance	\$123,110	\$107,758	\$99,520
Water Purchase	\$57,801	\$54,137	\$49,998
Depreciation and Amortization	\$9,147	\$4,777	\$4,412
Rate Case	\$601	\$3,748	\$5,642
Taxes Other Than Income	\$9,174	\$4,258	\$4,336
Income Tax (State and Federal)	\$0	\$0	\$5,840
Interest Expense	\$19,115	\$8,176	\$7,551
<b>Bond Value Requirement</b>	<b>\$254,214</b>	<b>\$215,694</b>	<b>\$207,628</b>
<b>Harbor Island Utilities, Inc. - Wastewater</b>			
<b>Bond Value Components</b>	<b>Per Revised Application</b>	<b>After Proposed Accounting &amp; Pro forma Adjustments Per Settlement</b>	<b>After Proposed Increase Per Settlement</b>
Administration	\$23,384	\$21,775	\$24,286
Water & Sewer Operation and Maintenance	\$81,631	\$71,452	\$79,690
Water Purchase	\$38,327	\$35,897	\$40,036
Depreciation and Amortization	\$6,065	\$3,167	\$3,532
Rate Case	\$399	\$2,486	\$4,518
Taxes Other Than Income	\$6,083	\$2,824	\$3,472
Income Tax (State and Federal)	\$0	\$0	\$4,676
Interest Expense	\$12,674	\$5,421	\$6,046
<b>Bond Value Requirement</b>	<b>\$168,563</b>	<b>\$143,022</b>	<b>\$166,256</b>
<b>Harbor Island Utilities, Inc. - Combined</b>			
<b>Bond Value Components</b>	<b>Per Revised Application</b>	<b>After Proposed Accounting &amp; Pro forma Adjustments Per Settlement</b>	<b>After Proposed Increase Per Settlement</b>
Administration	\$58,650	\$54,615	\$54,615
Water & Sewer Operation and Maintenance	\$204,741	\$179,210	\$179,210
Water Purchase	\$96,128	\$90,034	\$90,034
Depreciation and Amortization	\$15,212	\$7,944	\$7,944
Rate Case	\$1,000	\$6,234	\$10,160
Taxes Other Than Income	\$15,257	\$7,082	\$7,808
Income Tax (State and Federal)	\$0	\$0	\$10,516
Interest Expense	\$31,789	\$13,597	\$13,597
<b>Bond Value Requirement</b>	<b>\$422,777</b>	<b>\$358,716</b>	<b>\$373,884</b>
<b>Current Performance Bond Structure (1)</b>	<b>Bond Value</b>	<b>Expiration Date</b>	
Personal Financial Statement (Robert Gross)	\$200,000	12/31/07	
<b>Total Financial Assurance</b>	<b>\$200,000</b>		

(1) Personal Financial Statement secures performance bond of \$100,000 for water operations and \$100,000 for wastewater operations.

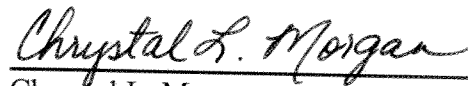
**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2007-243-WS**

IN RE:

Application of Harbor Island Utilities,	)	
Incorporated for Approval of a New Schedule	)	<b>CERTIFICATE OF</b>
of Rates and Charges for Water and Sewer	)	<b>SERVICE</b>
Service Provided to Residential and		
Commercial Customers in Harbor Island,		
Beaufort County		

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **EXPLANATORY BRIEF AND MOTION FOR SETTLEMENT HEARING AND ADOPTION OF SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

J. Thomas Mikell, Esquire  
J. Thomas Mikell, PC  
Post Office Box 1727  
Beaufort, SC, 29901

  
\_\_\_\_\_  
Chrystal L. Morgan

October 29, 2007  
Columbia, South Carolina